



February 15, 2001

HOUSE BILL No. 2131

DIGEST OF HB 2131 (Updated February 14, 2001 1:16 PM - DI 103)

Citations Affected: IC 4-4; IC 6-3.1; noncode.

Synopsis: Enterprise zones. Provides that if an enterprise zone business does not file the required verified summary of tax credits and tax exemptions claimed during the preceding year before the June 1 deadline and does not file for an extension, the zone business waives those credits and exemptions unless it pays, before July 16, a penalty equal to 15% of the credits and exemptions provided during the preceding year. Specifies that high technology business operations are eligible for a 5% enterprise zone investment cost credit.

Effective: July 1, 2001; January 1, 2002.

Klinker, Pond, Buell, Mahern

January 17, 2001, read first time and referred to Committee on Ways and Means.
February 14, 2001, reported — Do Pass.

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HB 2131—LS 7076/DI 73+



February 15, 2001

First Regular Session 112th General Assembly (2001)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2000 General Assembly.

HOUSE BILL No. 2131

A BILL FOR AN ACT to amend the Indiana Code concerning economic development.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 4-4-6.1-1.3 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
3 1, 2001]: **Sec. 1.3. (a) As used in this chapter, "high technology**
4 **business operations"** means the operations in Indiana of a business
5 **that has qualified research expense (as defined in Section 41 of the**
6 **Internal Revenue Code) for the following:**

- 7 **(1) Advanced computing.**
8 **(2) Advanced materials.**
9 **(3) Biotechnology.**
10 **(4) Electronic device technology.**
11 **(5) Environmental technology.**
12 **(6) Medical device technology.**

13 **(b) For purposes of this section, "advanced computing" means**
14 **technology used in the designing and developing of computing**
15 **hardware and software, including innovations in designing the full**
16 **range of hardware from hand held calculators to supercomputers**
17 **and peripheral equipment.**

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(c) For purposes of this section, "advanced materials" means materials with engineered properties created through the development of specialized processing and synthesis technology, including ceramics, high value added metals, electronic materials, composites, polymers, and biomaterials.

(d) For purposes of this section, "biotechnology" means the continually expanding body of fundamental knowledge about the functioning of biological systems from the macro level to the molecular and subatomic levels, as well as novel products, services, technologies, and subtechnologies developed as a result of insights gained from research advances that add to that body of fundamental knowledge.

(e) For purposes of this section, "electronic device technology" means technology involving any of the following:

- (1) Microelectronics.
- (2) Semiconductors.
- (3) Electronic equipment.
- (4) Instrumentation.
- (5) Radio frequency waves.
- (6) Microwaves.
- (7) Millimeter electronics.
- (8) Optical and optic electrical devices.
- (9) Data and digital communications.
- (10) Imaging devices.

(f) For purposes of this section, "environmental technology" means any of the following:

- (1) The assessment and prevention of threats or damage to human health or the environment.
- (2) Environmental cleanup.
- (3) The development of alternative energy sources.

(g) For purposes of this section, "medical device technology" means technology involving any medical equipment or product (other than a pharmaceutical product) that has therapeutic value or diagnostic value and is regulated by the federal Food and Drug Administration.

SECTION 2. IC 4-4-6.1-2.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 2.5. (a) Subject to ~~subsection~~ **subsections (c) and (d)**, a zone business that claims any of the incentives available to zone businesses shall, by letter postmarked before June 1 of each year:

- (1) submit to the board and to the zone urban enterprise association created under section 4 of this chapter, on a form



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prescribed by the board, a verified summary concerning the amount of tax credits and exemptions claimed by the business in the preceding year; and

(2) pay the amount specified in section 2(4) of this chapter to the board.

(b) In order to determine the accuracy of the summary submitted under subsection (a) the board is entitled to obtain copies of a zone business' tax records directly from the department of state revenue, the state board of tax commissioners, or a county official, notwithstanding the provisions of any other law. A summary submitted to a board or zone urban enterprise association, or a record obtained by the board, under this section is confidential. A board member, an urban enterprise association member or an agent of a board member or an urban enterprise association member, who knowingly or intentionally discloses information that is confidential under this section commits a Class A misdemeanor.

(c) The board may grant one (1) extension of the time allowed to comply with subsection (a) under the provisions of this subsection. To qualify for an extension, a zone business must apply to the board by letter postmarked before June 1. The application must be in the form specified by the board. The extension may not be for a period that is longer than forty-five (45) days under rules adopted by the board under IC 4-22-2.

(d) If a zone business **that did not comply with subsection (a) before June 1 and did not file for an extension under subsection (c) before June 1** complies with subsection (a) ~~after before July 15, 16,~~ the amount of the tax credit and exemption incentives for the preceding year that were otherwise available to the zone business because the business was a zone business are waived, **unless the zone business pays to the board a penalty equal to fifteen percent (15%) of the amount of the tax credit and exemption incentives for the preceding year that were otherwise available to the zone business because the business was a zone business. A zone business that pays a penalty under this subsection for a year must pay the penalty to the board before July 16 of that year. The board shall deposit any penalty payments received under this subsection in the enterprise zone fund.**

(e) This subsection is in addition to any other sanction imposed by subsection (d) or any other law. If a zone business fails to comply with subsection (a) ~~before June 1 without filing for and being granted an extension by the board as provided under subsection (c) or if a zone business fails to comply with subsection (a) before July 16 if an~~



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extension of time has been granted by the board under subsection (e),
and does not pay any penalty required under subsection (d) by
letter postmarked before July 16 of that year, the zone business:

(1) is denied all of the tax credit and exemption incentives
available to a zone business because the business was a zone
business for that year; and

(2) is disqualified from further participation in the enterprise zone
program under this chapter until the zone business:

(A) petitions the board for readmission to the enterprise zone
program under this chapter; and

(B) pays a civil penalty of one hundred dollars (\$100).

SECTION 3. IC 6-3.1-10-8 IS AMENDED TO READ AS
FOLLOWS [EFFECTIVE JANUARY 1, 2002]: Sec. 8. (a) To be
entitled to a credit, a taxpayer must request the department of
commerce to determine:

(1) whether a purchase of an ownership interest in a business
located in an enterprise zone is a qualified investment; and

(2) the percentage credit to be allowed.

The request must be made before a purchase is made.

(b) The department of commerce shall find that a purchase is a
qualified investment if:

(1) the business is viable;

(2) the business has not been disqualified from enterprise zone
incentives or benefits under IC 4-4-6.1;

(3) the taxpayer has a legitimate purpose for purchase of the
ownership interest;

(4) the purchase would not be made unless a credit is allowed
under this chapter; and

(5) the purchase is critical to the commencement, enhancement,
or expansion of business operations in the zone and will not
merely transfer ownership, and the purchase proceeds will be
used only in business operations in the enterprise zone.

The department may delay making a finding under this subsection if,
at the time the request is filed under subsection (a), an urban enterprise
zone association has made a recommendation that the business be
disqualified from enterprise zone incentives or benefits under
IC 4-4-6.1 and the enterprise zone board has not acted on that request.

The delay by the department may not last for more than sixty (60) days.

(c) If the department of commerce finds that a purchase is a
qualified investment, the department shall certify the percentage credit
to be allowed under this chapter based upon the following:

(1) A percentage credit of ten percent (10%) may be allowed



based upon the need of the business for equity financing, as demonstrated by the inability of the business to obtain debt financing.

(2) A percentage credit of two percent (2%) may be allowed for business operations in the retail, professional, or warehouse/distribution codes of the SIC Manual.

(3) A percentage credit of five percent (5%) may be allowed for business operations in the manufacturing codes of the SIC Manual.

(4) A percentage credit of five percent (5%) may be allowed for high technology business operations (as defined in IC 4-4-6.1-1.3.)

(5) A percentage credit may be allowed for jobs created during the twelve (12) month period following the purchase of an ownership interest in the zone business, as determined under the following table:

JOBS CREATED	PERCENTAGE
Less than 11 jobs	1%
11 to 25 jobs	2%
26 to 40 jobs	3%
41 to 75 jobs	4%
More than 75 jobs	5%

~~(5)~~ (6) A percentage credit of five percent (5%) may be allowed if fifty percent (50%) or more of the jobs created in the twelve (12) month period following the purchase of an ownership interest in the zone business will be reserved for zone residents.

~~(6)~~ (7) A percentage credit may be allowed for investments made in real or depreciable personal property, as determined under the following table:

AMOUNT OF INVESTMENT	PERCENTAGE
Less than \$25,001	1%
\$25,001 to \$50,000	2%
\$50,001 to \$100,000	3%
\$100,001 to \$200,000	4%
More than \$200,000	5%

The total percentage credit may not exceed thirty percent (30%).

(d) If all or a part of a purchaser's intent is to transfer ownership, the tax credit shall be applied only to that part of the investment that relates directly to the enhancement or expansion of business operations at the zone location.

SECTION 4. [EFFECTIVE JANUARY 1, 2002] **IC 6-3.1-10-8, as amended by this act, applies only to taxable years beginning after**



1 **December 31, 2001.**

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 2131, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

BAUER, Chair

Committee Vote: yeas 22, nays 0.

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